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THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

27 April 1982

NOTE FOR: See Distribution

FROM :
Acting NIO/USSR-EE

SUBJECT : Warning Assessment: USSR-EE

1. Attached is the assessment prepared following the monthly Community warning meeting held on 20 April 1982. Comments would be most welcome.

2. The next warning meeting will be held on Tuesday, 18 May, at 1400 hours in Room 7E62, CIA Headquarters. I solicit suggestions regarding any topics or contingencies you feel we may be overlooking, and request that such recommendations be forwarded to me by COB Tuesday, 4 May.

Attachment:

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

27 April 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA : National Intelligence Officer for Warning

FROM : [REDACTED]
Acting National Intelligence Officer for USSR-EE

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SUBJECT : Monthly Warning Assessment: USSR-EE
(Meeting held on 20 April 1982) [REDACTED]

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1. Soviet Attitude Toward Falkland Island Dispute. The Soviet approach so far has been to use the crisis to improve its standing in South America but not to become directly engaged in either the political or the military activity. Politically the Soviets have condemned what they call UK and US colonialism but have not endorsed the Argentinian use of force or the Argentinian claim to the islands. Militarily they have provided intelligence information to the Argentinians [REDACTED]

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[REDACTED] but have not [REDACTED]
[REDACTED] moved military units toward the area. In the long run, the USSR wishes to keep the US from gaining any advantage through its mediation efforts, to strengthen its political ties in the region, and possibly to improve its balance of trade with Argentina. Such an improvement will probably necessitate the sale of arms, something which the Argentinians have resisted so far. If the conflict worsens, it is possible that Peru, which has bought arms from the USSR, may, for its own political reasons, ease the way for Argentina to begin acquiring Soviet arms. As far as grain trade is concerned, the Soviets probably feel that the Argentinians have more to lose from any interruption of trade than the USSR which could turn to other markets--including the US--to make up for any gap in Argentinian deliveries.

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2. Soviet Military Activities in Afghanistan. As foreseen

[redacted] the Soviets have increased their in-country troop strength to about 100,000 and have become more active. So far, they have concentrated their operations in the northern and western parts of Afghanistan. However, an increase in insurgent strength in the Panshir Valley may lead them to conduct operations in that region soon--a development which may bring about some cross-border operations into Pakistan. [redacted]

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[redacted]

3. Yugoslavia's Financial Situation. Yugoslavia's financial prospects have brightened since a bankers' meeting in Frankfurt in early April. Largely in response to a favorable IMF report issued earlier this year, private banks have become more forthcoming in working with Yugoslavia--at least in the area of short-term debt. They have agreed to maintain existing lines of short-term credit and to rollover debt payments until Yugoslavia acquires sufficient hard currency. [redacted] reluctant to extend new medium-term credits, however. Yugoslavia still needs to address the issue of having the national bank exert greater control over regional banks--a politically-charged issue which will be addressed at the Party Congress in June.

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4. Romania's Financial Situation. In 1981, Romania alienated its creditors by avoiding recognition of its payments problems and by not beginning rescheduling talks until it had fallen over \$1 billion in arrears. The steps which Romania must now take to restore its financial standing are:

a. Regain IMF standby credit which was lost because of the arrears. Romania is now negotiating with IMF to do this.

b. Have the official creditors (Paris Club) reschedule.

c. Have the commercial creditors reschedule both the \$1.2 billion dollar 1981 arrears and a large part of the 1982 payments (about \$2 billion dollars principal and \$1.4 billion dollars interest). If Romania obtains the necessary rescheduling, it will continue to be in a precarious financial situation since it will have difficulty to meet any financial terms which creditors would find reasonable.

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[redacted]

[redacted]

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5. General Review of Czechoslovakia. Husak remains in firm control of the party and of a stultified country. Politically, the only noteworthy development is the elevation of Milos Jakes, a Soviet favorite to the Presidium. He thus joins Husak and Bilak in the elite group holding both Presidium and Secretariat membership. Economically the only bright points are that the external debt is low (\$4 billion dollars) and the standard of living still relatively good. However, the industrial plant is antiquated. There was no economic growth in 1981 and in 1982 there may be an actual decline. For a resource-poor country which must rely on an increasingly hard-pressed USSR for raw materials, the situation is not promising. However, only minor economic reforms have been enacted so far: the encouragement of private plots and the legalization of a limited private service sector. The worsening economic prospects may give some potential significance to internal party discussions, which in the view of some analysts have already increased perceptively in the last year. On foreign policy, Czechoslovakia remains even more slavishly obedient to Moscow than Bulgaria.

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